

# EXHIBIT W

**FINANCIAL OVERSIGHT & MANAGEMENT BOARD  
FOR PUERTO RICO**



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**BY ELECTRONIC MAIL**

October 14, 2021

Honorable Pedro Pierluisi  
Governor of Puerto Rico

Honorable José Luis Dalmau  
President of the Senate of Puerto Rico

Honorable Rafael Hernández  
Speaker of the House of Representatives of Puerto Rico

Dear Governor Pierluisi, President Dalmau, and Speaker Hernández:

We write to you concerning House Bill 1003, as amended and approved by the Senate (“HB 1003” or the “Bill”) and its impact on the Seventh Amended Plan of Adjustment (the “Plan”).

The Plan is a historic opportunity for Puerto Rico to adjust its debts and position the Commonwealth to flourish in the years ahead. The Plan cuts the Commonwealth’s outstanding debt by 80%, eliminating more than \$25 billion in debt. The Plan meaningfully advances the accomplishment of the Oversight Board’s statutory mission by enabling the Commonwealth to achieve fiscal responsibility and access to the capital markets, creating a path for the Oversight Board’s termination after confirmation, and realizing balanced budgets as required by PROMESA.

The Oversight Board has no philosophical disagreement with the Bill’s laudable policy aspirations. The Bill, however, would make the Plan unaffordable for Puerto Rico by conditioning the government’s approval of the issuance of the new general obligation bonds required by the Plan on provisions costing tens of billions of dollars. For every dollar the Plan saves in reduced debt, the Bill could spend the savings on new obligations over the next 30 years—leaving the Commonwealth in the same predicament that led to the enactment of PROMESA and the creation of the Oversight Board in the first place. The Bill must be revised significantly because it puts the

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Commonwealth back under an unsustainable financial burden and thereby renders the Plan not feasible and not confirmable.

The Oversight Board has a deep-rooted interest in the well-being of retirees, has no desire to cut pensions, and has in fact already agreed to revisions to the Plan that would eliminate any pension cuts to over 85% of retirees. But, the Bill's language on pensions goes much further than simply eliminating the remaining modest pension cuts and in so doing increases the risk the Plan is neither confirmable nor ultimately affordable.

The Legislature and the Governor have made clear they want to take that risk on behalf of the residents of Puerto Rico. While the Oversight Board continues to have reservations about the impact on the Plan, it is prepared to accept the wishes of the elected representatives of the residents of Puerto Rico to the extent it can do so prudently and without failing to carry out its duties under PROMESA. When the Legislature and Governor enact acceptable legislation, the Oversight Board will amend the Plan to eliminate cuts to the accrued pensions of retired public employees and current employees of the Commonwealth.

Given the importance of the Plan, and the singular opportunity that it represents for the Commonwealth, the Oversight Board understands that the economic benefits resulting from confirmation of the Plan would allow for certain additional spending. But, time is running out. With that context, and consistent with the Oversight Board's statutory mission, the Oversight Board would not oppose legislation that:

1. Requires that the Plan submitted for confirmation be amended to provide for no cuts to the accrued pensions of retired public employees and current employees of the Commonwealth unless otherwise required by the U.S. District Court for the District of Puerto Rico (but to be clear, this requirement does not extend to the Plan's freeze of the TRS and JRS pensions or the elimination of any remaining cost of living adjustments);
2. Provides additional funding, within limits, to the municipalities for providing necessary government services;
3. Provides additional funding for UPR to be utilized to improve the student experience and environment, such that appropriations total \$500 million per year, for five years from FY2023 through FY2027, while UPR also implements structural and operational efficiencies;
4. Provides funding of \$1,000,000 to conduct a study of the feasibility of extending medical coverage to currently uninsured residents;
5. Creates a mechanism to advance the terms of payment and debt cancellation following the termination of the Oversight Board; and
6. Establishes a joint working group with the Oversight Board, Legislature, and the Executive Branch.

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While the Oversight Board is willing to meet to answer your questions and to talk about next steps, we are not willing to revisit the positions established in this letter. It is our sincerest hope that the Government will join with the Oversight Board in furthering the Plan and the other initiatives listed above for the greater good of all of Puerto Rico.

Sincerely,



David A. Skeel

CC: Mr. Omar Marrero Díaz